

Description:

PERSI administers a Defined Benefit (DB) retirement plan mandatory for all eligible state and school district employees and for employees of political subdivisions which have elected to participate. The plan also provides separation, disability, death and survivor benefits. PERSI also administers the sick leave/medical insurance reserve for state and school retirees and the former Firemen's Retirement Fund.

The legislature established and PERSI administers a defined contribution (DC) retirement plan for 63,400 active members of PERSI. This is a relatively new plan, as a supplement to the DB plan, which provides a 401(k) plan option to all members who are eligible. The PERSI budget increases in FY 2001 and FY2002 reflect the administration of this Choice 401(k) plan.

For the past several years PERSI has participated in an annual benchmarking study of workloads and productivity. This study compares the activities of various public retirement systems in terms of cost effectiveness, efficiency and customer service. Next year PERSI will have sufficient history to compare the benchmark targets over time and many of the following measures will be replaced by these benchmarks.

Major Functions and Targeted Performance Standard(s) for Each Function:

1. Provide secure retirement benefits by collecting, maintaining and distributing retirement funds as specified by law.

A. Keep 98% of employer contribution accounts receivable current.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
98.44%	99%	93.00%	95.40%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
99.50%	99.50%	99.50%	99.50%

B. Retirement contributions collected.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$251,070,000	\$336,011,000	\$365,021,000	\$376,617,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$393,565,000	\$411,275,000	\$429,782,000	\$449,122,000

C. Pay all separation benefits within three weeks.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
7,609(100%)	8,431(100%)	7,233(100%)	5,293
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
6,000	8,100	8,100	8,100

D. Pay all new retirees on the first of the month following their retirement date.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1,727	1,793	2,141	2,161
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2,271	2,340	2,410	2,500

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E. Benefits paid (retirement, separations, disability)

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$287,037,000	\$290,067,000	\$317,601,000	\$348,137,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$363,803,000	\$380,174,000	\$397,282,000	\$415,160,000

F. Keep total administrative expense less than 2% of total expense.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1.78%	2.10%	1.85%	1.78%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1.84%	1.80%	1.80%	1.80%

G. Keep administrative expense below .15% (15 basis points) of total asset market value.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
.09%	.11%	.10%	.09%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
.10%	.09%	.09%	.09%

2. Assist our members and employer units by providing high quality service, retirement education and information.

A. Active members.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
62,100	62,400	62,400	63,400
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
65,300	67,300	69,300	71,400

B. Inactive Members.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
18,700	18,300	18,600	18,800
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
19,300	19,300	19,300	19,300

C. Retired members.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
23,300	24,000	25,000	26,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
27,300	28,700	30,100	31,600

D. Total system membership including actives, retirees, and inactive.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
104,100	104,700	106,000	108,200
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
111,900	115,300	118,700	122,300

E. Number of PERSI staff FTP.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
56	63	63	63
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
63	63	67	71

F. Estimated number of call-in customers (all three offices).

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
86,675	73,861	126,600	148,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
155,000	170,000	180,000	200,000

G. Total number of employer units.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
645	659	668	675
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
678	683	688	695

H. Keep benefit estimates within 3% of the actual benefit calculation.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1.0% difference	2.0% difference	1.5% difference	1.5% difference
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1.0% difference	1.0% difference	1.0% difference	1.0% difference

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I. Number of benefit estimates done by PERSI field representatives.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
8,917	9,202	7,600	12,300
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
15,150	15,700	15,700	17,000

J. Maintain turnaround time of one week to microfilm documents.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1 week	1 week	3 days	3 days
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
3 days	3 days	0 days	0 days

K. Number of documents microfilmed during the year. This number is decreasing contingent upon implementation of a document imaging system within the next three years.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
190,000	200,000	172,800	153,725
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
170,000	80,000	0	0

L. Reduce the number of manually-entered data records by 50% (to 180,000) between the years 1996 and 2005.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
344,200	206,400	50,000	12,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
10,000	9,600	9,600	7,500

Program Results and Effect:

PERSI administers a Defined Benefit (DB) retirement plan and, effective in 2001, a Defined Contribution (DC) plan providing secure, long-term retirement benefits for career public service employees. PERSI's members and beneficiaries receive direct benefits through retirement, disability, and death benefit programs.

Taxpayers benefit from PERSI programs because:

- 1) The DB plan helps to attract and retain public employees, creating a more stable workforce to provide needed public services more reliably.
- 2) PERSI's pooling of risks and benefits over a large employee/employer base provides economies of scale, as well as consistent professional management of assets and benefits.
- 3) The structure of the DB plans provides retirement benefits to career employees in a cost-effective manner. Gains from favorable investment results are returned to employers/employees in the form of stable contribution rates. Beginning in 2001, if approved by the PERSI board, excess gains will be distributed to employees, retirees and employers per Gain Sharing legislation.
- 4) The DB plans replace a portion of public employees' income after retirement. By providing guaranteed benefits, these plans help PERSI's retirees to be financially self-sufficient, and therefore, less likely to be dependent upon public welfare programs. The DC plan provides an additional and portable option for employees to build a secure retirement.

PERSI's Retirement Board, as well as the entire agency, exists for one reason: to service the interests of the system's beneficiaries. As fiduciaries, PERSI is entrusted to prudently and accurately collect, invest, maintain, and distribute retirement funds as specified by law.

For more information contact Jim Monroe at 287-9231.

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Portfolio Investment

Description:

The purpose of the investment of the Trust assets is to provide funds to meet the liabilities of the Public Employee Retirement System of Idaho (PERSI) while incurring the appropriate amount of risk consistent with attaining that goal.

Major Functions and Targeted Performance Standard(s) for Each Function:

1. Investment of the PERSI Trust assets.

- A. Meet 8% long-term hurdle rate of return on investments.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
(6.06%)	(7.1%)	3.22%	17.51%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
7.75%	7.75%	7.75%	7.75%

- B. Annual portfolio investment income based on market value, net of fees.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
(\$460,395,100)	(\$495,024,200)	\$208,318,800	\$1,145,095,700
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$545,500,000	\$647,000,000	\$650,000,000	\$720,000,000

- C. Ending portfolio market value.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$6,671,501,000	\$6,227,219,000	\$6,458,917,000	\$7,610,641,000
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$8,156,141,000	\$8,803,141,000	\$9,453,000,000	\$10,173,000,000

- D. Number of investment fund managers at year-end.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
34	36	35	40
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
42	43	44	45

- E. Number of investment fund managers hired/fired during the fiscal year.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
2/0	3/1	0/1	8/3
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2/0	1/0	1/0	1/0

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F. Keep risk (three-year standard deviation of return) at or below 13.5%.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
11.80%	13.00%	13.20%	13.20%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
13.50%	13.50%	13.50%	13.50%

G. Keep contribution rate stable (with any increases due only to benefit plan enhancements). *Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Stable	Stable	Stable	Stable
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
+1%	+1%	+1%	Stable

H. *Employer Contribution Rate. *Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
9.77%	9.77%	9.77%	9.77%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
10.39%	11.00%	11.61%	11.61%

I. *Employee Contribution Rate. *Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
5.86%	5.86%	5.86%	5.86%
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
6.23%	6.60%	6.97%	6.97%

J. Reduce the amortization period for the unfunded liability on or ahead of the adopted schedule.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
12.9 years	39.3 years	19.4 years	7.8 years
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
full funding	full funding	full funding	full funding

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Portfolio Investment

K. Pay retirees the maximum Cost of Living Allowance (COLA) allowable by law.

Actual Results			
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
3.4%	2.7%	1.8% of CPI	2.2% of CPI
Projected Results			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
100% OF CPI	100% of CPI	100% of CPI	100% of CPI

Program Results and Effect:

The primary funding goal of PERSI is to maintain a well-funded system along with assuring stable contribution rates for employee and employer members, while granting annual Cost of Living Adjustments (COLAs) to retirees. In years with excess investment earnings, Gain Sharing may be declared by the PERSI board. Gain Sharing is then distributed to retirees, members and employers.

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